



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



FILE COPY

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Comptroller

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March 30, 2012

Antoinette Cousins, Executive Director
Riverview West Florissant Development Corporation
6085 West Florissant Ave.
St. Louis, MO 63136

RE: Community Development Block Grant (CDBG) and Home Investment Partnership
(HOME) (Project #2012-CDA16)

Dear Ms. Cousins:

Enclosed is the report of the fiscal monitoring review of Riverview West Florissant Development Corporation, a not-for-profit organization, CDBG and HOME Programs for the period January 1, 2011 through September 30, 2011. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of Riverview West Florissant Development Corporation. Fieldwork was completed on November 18, 2011.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the Community Development Administration (CDA) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Jill Claybour, Acting Executive Director, CDA
Lorna Alexander, Special Assistant for Development, CDA



CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
HOME INVESTMENT PARTNERSHIP (HOME)**

**RIVERVIEW WEST FLORISSANT DEVELOPMENT CORPORATION
CONTRACT #11-31-55, #11-36-13, #11-36-55, AND #11-HM-36-55
CFDA #14.218 AND #14.239**

FISCAL MONITORING REVIEW

JANUARY 1, 2011 THROUGH SEPTEMBER 30, 2011

PROJECT #2012-CDA16

DATE ISSUED: MARCH 30, 2012

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
HOME INVESTMENT PARTNERSHIP (HOME)
RIVERVIEW WEST FLORISSANT DEVELOPMENT CORPORATION
FISCAL MONITORING REVIEW
JANUARY 1, 2011 THROUGH SEPTEMBER 30, 2011

TABLE OF CONTENTS

Description	Page(s)
INTRODUCTION	
Background	1
Purpose	1
Scope and Methodology	1
Exit Conference	1
Management's Responses	2
SUMMARY OF OBSERVATIONS	
Conclusion	3
Status of Prior Observations	3
A-133 Status	3-4
Summary of Current Observations	4
DETAILED OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES	5 - 7

INTRODUCTION

Background

Contract Name: Riverview West Florissant Development Corporation

Contract Numbers: 11-31-55, 11-36-13, 11-36-55, and 11-HM-36-55

CFDA Numbers: 14.218 (11-31-55, 11-36-13, AND 11-36-55)
14.239 (11-HM-36-55)

Contract Periods: January 1, 2011 through December 30, 2011

Contract Amounts: \$183,825 (11-36-55/11-HM-36-55)
\$67,935 (11-36-13)
\$339,278 (11-31-55)

These contracts provided Community development Block Grant (CDBG) funds to Riverview West Florissant Development Corporation (Agency) to:

- Identify nuisance properties within the 2nd, 3rd, and 27th wards and work with the property owners to eliminate nuisance conditions or behaviors (11-36-13).
- Undertake neighborhood improvements; housing, commercial and economic development activities needed to revitalize the neighborhood (11-31-55).
- Provide loan closing services for low and moderate income homeowners participating in the program (11-36-55/11-HM-36-55).

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state, and local Community Development Administration (CDA) requirements for the period January 1, 2011 through September 30, 2011, and make recommendations for improvements, as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grants administered by CDA. Evidence was tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. Fieldwork was completed on November 18, 2011.

Exit Conference

An exit conference was conducted at the Agency on February 29, 2012. The Agency was represented by Executive Director. The Internal Audit Section (IAS) was represented by Auditor-In-Charge.

Management's Response

The Agency was given seven business days at the exit conference to respond to the observations and recommendations noted in the report. As of the date of the report, the Agency has not responded.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state, and local CDA requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2011-CDA11, issued June 28, 2011 contained three (3) observations.

1. Opportunity to meet program objectives **(To be resolved by CDA)**
2. Opportunity to improve asset management, questioned cost \$729.99 **(Repeated. See current observation #1)**
3. Opportunity to improve cash management, questioned cost \$1,686.45 **(Repeated. See current observation #2)**

A-133 Status

The Agency expended \$500,000 or more in federal funds for the year ended December 31, 2010; therefore, the Agency was required to have a single audit in accordance with OMB Circular A-133.

The report was dated August 1, 2011, and rendered unqualified opinions on the financial statements and major federal awards. There were no material weaknesses noted; but there were significant deficiencies on the financial statements and major awards. The Agency qualified as a low risk auditee.

There was one finding required to be reported in accordance with OMB Circular A-133. This finding is directly related to the CDBG passed through the City of St. Louis.

IAS noted the following information was not provided in the report as required by OMB Circular A-133:

- Findings and questioned costs
 - Federal program and specific federal award identification, including CFDA title and number, Federal award number and year and the name of the Federal agency (OMB Circular A-133, Section 510(b)).
 - The criteria or specific requirement upon which the audit finding was based (OMB Circular A-133, Section 510(b)(2)).
- Schedule of Expenditures of Federal Award
 - List of individual Federal programs by Federal Agency

The report was reviewed by IAS, and it is recommended that the report should not be accepted until the deficiencies mentioned above have been addressed.

Summary of Current Observations

Recommendations were made for the following observations, which if implemented, could assist the Agency in fully complying with federal, state, and local CDA requirements.

1. Opportunity to improve asset management, questioned cost \$729.99 (Repeated)
2. Opportunity to improve cash management, questioned cost \$5,486.62 (Repeated)
3. Opportunity to comply with eligibility requirements

DETAILED OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES

1. Opportunity To Improve Asset Management, Questioned Cost \$729.99 (Repeated)

The Agency's previous fiscal monitoring report dated June 28, 2011, noted that during the review of the Agency's grant funded fixed assets, the Internal Audit Section could not locate a Toshiba A105 laptop computer with a cost of \$729.99. According to the Agency, the computer was transferred to its Union location. The report recommended that the Agency obtain a written approval for the transfer. However, as of the date of this report, the Agency had not obtained the approval from CDA.

According to section 4.1 of the CDA Operating Procedures Manual, an Agency should maintain adequate records for equipment and real property purchased with federal funds. Such records should include contract number, description of the item, acquisition date, model/serial numbers, location, and condition.

Agency did not have a system of internal controls in place to appropriately track equipment and update its inventory listing.

Lack of adequate internal control over the Agency's grants funded fixed assets may increase the risk that loss, theft or misuse of the grant-funded fixed assets will go undetected.

Recommendation

It is recommended that the Agency locate the transferred Toshiba laptop A-105 or reimburse CDA \$729.99 for the transferred computer.

Management's Response

The Agency was given seven business days at the exit conference to respond to the observation and recommendations noted in the report. As of the date of this report, the Agency had not responded.

2. Opportunity To Improve Cash Management, Questioned Cost \$5,486.62 (Repeated)

The Agency disbursed grant funds more the three days after receiving them as follows:

Reimbursement Date	Disbursement Date	Days Between Reimbursement & Disbursement Dates	Amount
April 1, 2011	April 12, 2011	11	\$4,990.00
May 25, 2011	June 2, 2011	8	496.62
Total			\$5,486.62

Section 2.10 of the CDA Operating Procedures Manual requires an operating Agency to disburse the federal funds within three working days of receiving the funds. If the funds cannot be disbursed within the three day period, the funds must be returned immediately to the Comptroller's Office.

The Agency did not have an effective system of internal control to ensure compliance with the CDA federal grant disbursement (cash management) requirements.

Failure to comply with CDA cash management policy increases the risk for misappropriation of funds, and may result in the suspension or termination of the award.

Recommendation

It is recommended that the Agency reimburse CDA for the \$5,486.62 in questioned costs. It is also recommended that the Agency establish a system of internal controls to comply with the CDA federal funds retention/disbursement requirements.

Management's Response

The Agency was given seven business days at the exit conference to respond to the observation and recommendations noted in the report. As of the date of this report, the Agency had not responded.

3. Opportunity To Comply With Eligibility Requirements

Three loan vouchers, totaling \$14,980 for the contract #11-36-55, submitted by the Agency for reimbursements, did not pass all of the CDA eligibility requirements as follows:

1. Agency could not produce a copy of the contractor's current business license.
2. Agency could not produce documentation of proof of insurance payments to ensure that contractor's business insurance was fully paid.
3. Agency could not produce proof of current mortgage payments to ensure that the homeowner's mortgage is current.

Contract #11-36-55 states, "The Operating Agency shall complete at a minimum the stated objectives and criteria in a manner acceptable to CDA."

The Agency did not have a system of internal controls in place to ensure compliance with the contract's eligibility requirements.

According to Contract #11-36-55, failure to satisfactorily perform its obligations under the work program as set forth in the Mission Statement and Objectives may result in the:

- Withholding of contract award
- Suspension of contract
- Withholding of reimbursements or payments
- Refusal to accept a proposal
- Disqualification from eligibility to receive future CDBG funds

Recommendation

It is recommended that the Agency implement a system of internal control to ensure compliance with the grant contract objectives. If the Agency determines that it would not be able to meet some of the grant objectives, it should communicate with CDA immediately to determine the future course of action.

Management's Response

The Agency was given seven business days at the exit conference to respond to the observation and recommendations noted in the report. As of the date of this report, the Agency had not responded.